

DOUGLASS TOWNSHIP
FINANCIAL STATEMENT
DECEMBER 31, 2014

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**DOUGLASS TOWNSHIP
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DECEMBER 31, 2014**

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BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees Douglass Township

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of **Douglass Township, Kansas**, as of and for the year ended **December 31, 2014**, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Douglass Township

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 of the financial statement, the financial statement is prepared by **Douglass Township, Kansas**, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Douglass Township, Kansas**, as of **December 31, 2014**, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the **Douglass Township, Kansas**, as of **December 31, 2014**, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedule of regulatory basis receipts and expenditures-actual and budget, and individual fund schedules of regulatory basis receipts and expenditures-actual (Regulatory-Required Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

**Board of Trustees
Douglass Township**

The 2013 Actual column presented in the individual fund schedule of regulatory basis receipts and expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual (as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2013 basic financial statement upon which we rendered an unmodified opinion dated May 18, 2017. The 2013 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement or to the 2013 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note 1.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
May 18, 2017

**DOUGLASS TOWNSHIP
SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 279,377	\$ 0	\$ 111,912	\$ 196,747	\$ 194,542	\$ 0	\$ 194,542
Special Purpose Funds							
Road	162,186	0	116,800	118,396	160,590	0	160,590
Library	222	0	7,915	8,000	137	0	137
Machinery	149,223	0	96,982	113,170	133,035	0	133,035
FEMA	0	0	37,295	37,286	9	0	9
	<u>\$ 591,008</u>	<u>\$ 0</u>	<u>\$ 370,904</u>	<u>\$ 473,599</u>	<u>\$ 488,313</u>	<u>\$ 0</u>	<u>\$ 488,313</u>

Composition of Cash: Checking \$ 488,313

The notes to the financial statement are an integral part of this statement.

**DOUGLASS TOWNSHIP
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

Note 1 - Summary of Significant Accounting Policies:

Financial Reporting Entity

Douglass Township is a municipal corporation governed by an elected three member Board of Trustees. The regulatory financial statement presents all funds over which the Board of Trustees exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Basis of Presentation – Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The Township has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, receipts and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

KMAAG Regulatory Basis of Presentation Fund Definitions:

Governmental Funds

General Fund-the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds-To account for the proceeds of specific tax levies and other specific revenue sources (other than major Capital Projects and tax levies for long-term debt) that are intended for specific a purpose.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Township has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the regulatory basis of accounting.

**DOUGLASS TOWNSHIP
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended December 31, 2014.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Township for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for the following special purpose fund:

Machinery Fund

FEMA Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 2 - Compensated Absences:

All permanent full-time employees are eligible for vacation and/or sick leave benefits in varying annual amounts depending on position and length of service.

It is the policy of the Township to record vacation and sick leave benefits as expenditures when paid.

**DOUGLASS TOWNSHIP
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

Note 3 - Deposits:

K.S.A. 9-1401 establishes the depositories which may be used by the Township. The statute requires banks eligible to hold the Township's funds have a main or branch bank in the county in which the Township is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Township has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Township's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Township may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may be returned to it. State statutes require the Township's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2013.

At December 31, 2014, the Township's carrying amount of deposits was \$488,313 and the bank balance was \$601,395. The bank balance is held in one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$351,395 was collateralized with securities held by the pledging financial institution's agent in the Township's name.

Note 4 - Contingencies:

Grant Programs

The Township participates in various federal and state grant programs. These grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

**DOUGLASS TOWNSHIP
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2014**

Note 5 - Reimbursed Expenses:

The Township records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Note 6 - Postemployment Benefits:

The Township did not provide any significant postemployment benefits for former employees at December 31, 2014.

Note 7 - Defined Benefit Pension Plan:

	Statutory Authority	<u>Transfer To:</u> <u>Machinery</u>
Transfer from:		
Road Fund	K.S.A. 68-141g	\$ 77,564
General Fund	K.S.A. 80-122	19,418
		<u>\$ 96,982</u>

Note 8 - Subsequent Events:

The Township has evaluated subsequent events through May 18, 2017, the date which the financial statement was available to be issued.

**REGULATORY REQUIRED
SUPPLEMENTARY INFORMATION**

DOUGLASS TOWNSHIP
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 196,747	\$ 0	\$ 196,747	\$ 196,747	\$ 0
Special Purpose Funds					
Road	200,000	0	200,000	118,396	(81,604)
Library	8,000	0	8,000	8,000	0
Machinery	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	113,170	XXXXXXXXXX
FEMA	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	37,286	XXXXXXXXXX
	<u>\$ 404,747</u>	<u>\$ 0</u>	<u>\$ 404,747</u>	<u>\$ 473,599</u>	<u>\$ (81,604)</u>

DOUGLASS TOWNSHIP
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

General Fund	Current Year			
	Prior Year			Variance -
	Actual	Actual	Budget	Favorable Over (Under)
Cash Receipts				
Ad valorem tax	\$ 91,392	\$ 82,067	\$ 0	\$ 82,067
Delinquent tax	7,581	5,799	0	5,799
Motor vehicle tax	15,764	12,427	10,618	1,809
Recreational Vehicle Tax	296	202	252	(50)
16/20 M Vehicle	847	488	610	(122)
Other Income	0	10,725	0	10,725
Refund	0	0	0	0
Rent	5,535	0	0	0
Interest Earned	234	204	0	204
	<u>121,649</u>	<u>111,912</u>	<u>\$ 11,480</u>	<u>\$ 100,432</u>
Expenditures				
Building	0	127,638	\$ 0	\$ 127,638
Officers Pay	0	0	5,500	(5,500)
Contract Labor, Road Materials, Fuel	19,812	25,406	39,800	(14,394)
Salaries & Wages	8,725	6,896	14,000	(7,104)
Employee Benefits	0	0	3,000	(3,000)
Supplies	1,547	170	7,000	(6,830)
Equipment, Repairs, & Maintenance	23,634	8,819	105,453	(96,634)
Utilities & Rent	5,608	5,807	2,200	3,607
Insurance	7,783	0	6,000	(6,000)
Cemetery	0	0	46,600	(46,600)
Hall	0	0	49,600	(49,600)
Professional Fees	106	0	5,300	(5,300)
Other	30,175	2,593	18,605	(16,012)
Transfers	29,880	19,418	(106,311)	125,729
	<u>127,270</u>	<u>196,747</u>	<u>\$ 196,747</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	(5,621)	(84,835)		
Unencumbered Cash, Beginning	284,998	279,377		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	\$ 279,377	\$ 194,542		

DOUGLASS TOWNSHIP
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

<u>Road Fund</u>	<u>Current Year</u>			Variance - Favorable Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Ad valorem tax	\$ 83,954	\$ 101,233	\$ 0	\$ 101,233
Delinquent tax	1,631	1,687	0	1,687
Motor vehicle tax	4,841	8,493	8,968	(475)
County highway tax	5,878	4,525	4,556	(31)
Other Income	642	862	725	137
	<u>96,946</u>	<u>116,800</u>	<u>\$ 14,249</u>	<u>\$ 102,551</u>
Expenditures				
Contract Labor	915	0	\$ 13	\$ (13)
Officers Pay	0	0	7,715	(7,715)
Salaries & Wages	0	0	37,207	(37,207)
Payroll Expense	28,747	23,591	61,675	(38,084)
Repairs/Maintenance	7,125	0	14,000	(14,000)
Road materials	35,134	3,263	11,228	(7,965)
Equipment	7,515	3,865	48,362	(44,497)
Insurance/Office Supplies	232	2,791	6,200	(3,409)
Fuel	21,938	0	13,600	(13,600)
Rent	1,200	0	0	0
Taxes	0	7,322	0	7,322
Transfers	24,236	77,564	0	77,564
	<u>127,042</u>	<u>118,396</u>	<u>\$ 200,000</u>	<u>\$ (81,604)</u>
Receipts Over (Under) Expenditures	(30,096)	(1,596)		
Unencumbered Cash, Beginning	192,282	162,186		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 162,186</u>	<u>\$ 160,590</u>		

DOUGLASS TOWNSHIP
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

<u>Library Fund</u>	<u>Current Year</u>			Variance -
	Prior Year			Favorable
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Cash Receipts				
Ad valorem tax	\$ 6,600	\$ 6,889	\$ 0	\$ 6,889
Delinquent tax	295	143	0	143
Motor vehicle tax	658	620	755	(135)
Other	59	263	61	202
	<u>7,612</u>	<u>7,915</u>	<u>\$ 816</u>	<u>\$ 7,099</u>
Expenditures				
Douglass Public Library	<u>7,500</u>	<u>8,000</u>	<u>\$ 8,000</u>	<u>\$ 0</u>
	<u>7,500</u>	<u>8,000</u>	<u>\$ 8,000</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	112	(85)		
Unencumbered Cash, Beginning	110	222		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 222</u>	<u>\$ 137</u>		

DOUGLASS TOWNSHIP
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

Machinery Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers	\$ 54,116	\$ 96,982
	<u>54,116</u>	<u>96,982</u>
Expenditures		
Equipment	<u>0</u>	<u>113,170</u>
	<u>0</u>	<u>113,170</u>
Receipts Over (Under) Expenditures	54,116	(16,188)
Unencumbered Cash, Beginning	95,107	149,223
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 149,223</u>	<u>\$ 133,035</u>

**DOUGLASS TOWNSHIP
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

FEMA Fund

	Current Year <u>Actual</u>
Cash Receipts	
Federal program	\$ 37,295
	<u>37,295</u>
Expenditures	
Gravel	29,622
Other	<u>7,664</u>
	<u>37,286</u>
Receipts Over (Under) Expenditures	9
Unencumbered Cash, Beginning	0
Prior Year Canceled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 9</u>